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Page: B-1

State will get millions in frozen assets

The \$62 million in investments was locked in a money-market fund that was adversely affected by the economic downturn.

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PROVIDENCE — By Jan. 3, Rhode Island will have recovered \$62 million in state investments from a money-market fund frozen in September, the state general treasurer's office said yesterday.

General Treasurer Frank T. Caprio said the money will be returned to the state with no financial loss.

Tim Gray, the treasurer's spokesman, said that if the state had not moved to get the funds back, the investments could have lost value over time. He said it

SEE **FUNDS, B8**

Funds

Continued from Page B1

would have taken a long time to get the investments back if the state had not acted now.

In September, the \$7-billion Reserve Co. U.S. Government Fund, which held many investors' money, including the state's \$62 million, got all its assets frozen after one of its managed funds — not the one Rhode Island was invested with — had "broken the buck," meaning the value of a

single share had fallen below the industry's \$1-a-share standard because the national economic tailspin had caused investors to withdraw billions of dollars.

In October, Caprio said he was seeking to unfreeze the state investments. On Nov. 13, Rhode Island got an initial distribution of \$26 million and will receive the remaining \$36 million in the beginning of the new year, according to Caprio's office.

The state's investments are being secured by putting the fund they were in into the U.S. Treasury's newly created Temporary

Guarantee Program for Money Market Funds.

On Wednesday, the Reserve entered into a "letter of agreement" specifying that if the company is unable to sell its government-backed securities by Jan. 3, the Treasury will buy them, at no loss, from the Reserve.

"Through the hard work of my office and a coalition of investors, we were able to secure Rhode Island's assets in an extremely timely manner," Caprio said in the statement.

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